

VZCZCXYZ0004
RR RUEHWEB

DE RUEHIN #1115/01 0900432
ZNY CCCCC ZZH
R 310432Z MAR 06
FM AIT TAIPEI
TO RUEHC/SECSTATE WASHDC 9449
INFO RUEHBK/AMEMBASSY BANGKOK 3223
RUEHBJ/AMEMBASSY BEIJING 4988
RUEHJA/AMEMBASSY JAKARTA 3834
RUEHKL/AMEMBASSY KUALA LUMPUR 3473
RUEHUL/AMEMBASSY SEOUL 7717
RUEHGP/AMEMBASSY SINGAPORE 6409
RUEHKO/AMEMBASSY TOKYO 7579
RUEHGZ/AMCONSUL GUANGZHOU 9167
RUEHHK/AMCONSUL HONG KONG 6181
RUESLE/AMCONSUL SHANGHAI 8557
RUEHC/DEPT OF AGRICULTURE WASHDC
RHHMUNA/USPACOM HONOLULU HI
RHHJJAA/JICPAC HONOLULU HI
RHEFDIA/DIA WASHINGTON DC
RUEAIIA/CIA WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHDC

C O N F I D E N T I A L AIT TAIPEI 001115

SIPDIS

SIPDIS

STATE PASS USTR
STATE FOR EAP/TC,
USTR FOR ALTBACH, WINTERS, STRATFORD AND WINELAND,
USDOC FOR 4431/ITA/MAC/AP/OPB/TAIWAN/JDUTTON
USDA/FAS FOR SHEIKH/MIRELES
TREASURY ALSO PASS TO FEDERAL RESERVE/BOARD OF GOVERNORS,
AND SAN FRANCISCO FRB/TERESA CURRAN

E.O. 12958: DECL: 03/31/2016
TAGS: [ETRD](#) [ECON](#) [PREL](#) [PGOV](#) [TW](#)
SUBJECT: TAIPEI AMCHAM SHARES BUSINESS CONCERNS WITH
DIRECTOR YOUNG

Classified By: AIT DIRECTOR STEPHEN M. YOUNG For Reasons 1.5 b/d

¶1. (SBU) SUMMARY. During an initial meeting with Director Young on March 28, AmCham leaders provided AIT Director with a sneak preview of their White Paper for 2006. AmCham has seen little progress this year and expects to hit the same themes as last year's paper. AmCham members see the Chen government as disjointed and uncoordinated; some argue the ruling DPP party is anti-business. END SUMMARY.

¶2. (SBU) AIT Director Young met with the Board of Governors and committee chairs of the American Chamber of Commerce in Taiwan on March 28. AmCham gave him an advance briefing on its annual White Paper (due out in May) that discusses its concerns with the business environment in Taiwan and makes specific proposals for improvement. AmCham believes that little progress has been made over the past year in addressing the concerns it raised in last year's White Paper and, thus, expects the 2006 White Paper to be quite similar in content. The report will cover human resources; government procurement; transportation regulation; and financial sector reform.

Human Resources

¶3. (U) AmCham assesses that there is a general shortage of technical and professional staff in Taiwan and that the U.S. firms on the island are all competing for the same pool of talent. AmCham would like to see Taiwan open the door a little wider in admitting foreign talent, including allowing

PRC passport holders to work for both foreign and Taiwan firms operating on the island.

¶4. (SBU) The Director raised this issue with Vice Premier Tsai Ing-wen in a separate meeting later the same day. Tsai

SIPDIS

responded that when she was Chair of the Mainland Affairs Council (MAC) she had instructed Taiwan agencies to allow PRC passport holders to visit Taiwan on a business visa. In response to the Director's comments, she instructed her staff to set up a meeting with AmCham to discuss this issue.

(Note: AIT provided Tsai's staff with AmCham contact information. End Note.)

¶5. (U) Some AmCham members told the Director that they have observed a "brain drain" of Taiwan talent to the Mainland. They said that whereas in the past, many of Taiwan's most talented graduates had gone abroad to the U.S. and Europe to study and work, now they were heading to China to work because of the high growth potential in the Chinese economy.

Government Procurement

¶6. (SBU) AmCham told the Director that corruption in the ruling Pan Green party makes it impossible for U.S. firms to compete for major construction projects.

Transportation

¶7. (SBU) AmCham's Transportation Committee reported that Taiwan's transportation industries remain highly regulated, thus making Taiwan's cost structure high relative to its neighbors in the region. The committee cited an "obsession"

with security regulations as one factor in the high cost structure. Airline representatives noted that foreign carriers continue to pull out of the Taiwan market, citing Air New Zealand as the most recent example. One member noted that the a large number of aircraft purchased by China Air and EVA at considerable expense to serve expected cross-Straits routes have now been deployed on other regional routes. This has increased competition in the region and thus reduced fares and profitability for international carriers.

Financial Reform

¶8. (SBU) The AmCham Banking and Capital Markets Committees reported that Taiwan's Financial Supervisory Commission (FSC), now almost two years old, wants to open up and deregulate Taiwan's financial markets, but a lack of coordination within the government has made progress slow. They said that they have seen the FSC put forth a proposal only to have the MAC or the Ministry of Finance quickly overrule it. The Committees assess that Taiwan financial institutions cannot move forward and become regional financial centers in this environment. Further, they said that Taiwan is losing ground to Japan, Singapore and Korea in the financial sector. Arguing that "Taiwan is no longer relevant in the asset management business," one representative noted that "my job here is to train people to work elsewhere in Asia and to train the local regulators." An insurance representative complained that the FSC Insurance Bureau is pressing all foreign insurance firms to list on the Taiwan Stock Exchange.

DPP Anti Business?

¶9. (SBU) Following the prepared reports described above; there was a general discussion among the AmCham members present about the policy environment in Taiwan. The majority of the comments were quite negative about the situation facing the business community in Taiwan. One general theme

was that the business community believes that the government does not have a strong overarching economic policy. The clear implication was that under the KMT, the government had provided clear direction on implementing sound economic policies. AmCham sees this government as simply reacting to crises, overly politicized, and out of touch with the economic desires of the business community and needs of the larger population. In this regard, they suggest, the DPP has evolved into a party uninterested in, if not antagonistic toward, business.

¶10. (C) Comment: Whether some of AmCham's concerns over the management of cross-Strait trade and other issues are accurate is less important than that a clear dialogue with the Taiwan governing bodies be allowed to thrash through these topics. We have already urged Vice Premier Tsai and the Chairman of the Mainland Affairs Council (MAC) to reach out to AmCham on these subjects and will continue to serve as a bridge where possible. End Comment.
YOUNG